

A Discussion of Commonly Used Classroom Textbooks in Management Accounting

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Abstract

There has been a decline in the manufacturing industry and a surge in the non-manufacturing industry. The changes that have occurred in industry have been met with inventive techniques developed in management accounting education. There is now the perception that education and industry are different today than in the past, and a gap has developed. This paper continues the analysis of a published journal article that attempted to define management accounting by discussing the range of topics in modern textbooks compared with the earlier editions. We have found that management accounting as a discipline has proven difficult to define since the views and content of the discipline vary between textbooks. Our results indicate that traditional topics remain important, but other facets of management accounting have been incorporated into the textbooks, including behavioural and environmental issues. There has also been a move towards a more strategic function as well as more emphasis on strategic cost management and environmental costs. This study has provided sufficient discussion to enable a comparison with current management accounting practise and provides a basis for closing the gap between management accounting practice and education.

Keywords: Management accounting, textbooks, teaching, practice, gap.

A Discussion of Commonly Used Classroom Textbooks in Management Accounting

Recent and rapid developments in technology and globalisation have significantly changed the business environment (Albrecht & Sack, 2000). In addition to the change in the business environment, there have been significant changes in the education environment in recent years. Large proportions of the classroom are international students (see Rankin, Silvester, Valley, & Wyatt, 2003) and so the dynamics and learning styles are different than in the past. The accounting discipline has not escaped the calls for education change. AECC (1990, 1992) and AAA (1986) are some examples of the calls for accounting education to change.

Many accounting courses lack a standardised curriculum and common elements and topics for undergraduate accounting courses have not previously been identified (see Smith & Bain, 1993; Bain, Blankley, & Smith, 2002; Lee & Bisman, 2006; Davidson & Baldwin, 2005; Wilson & Baldwin, 1995). Explanations for the diverse results are that there is no authoritative guidance on required topics and the backgrounds of those who teach the courses is diverse.

The management accounting discipline has been changing rapidly. "In the early days cost accounting was very different from what it is today", (Böer, 2000). In the early 20th century there was a lack of cost and management accounting topics in the literature (Fleming, Graci, & Thompson, 2004). The management accounting discipline can now be identified as including many modern topics. Now there exists the point of including all potential topics, which students might encounter in practice, into management accounting textbooks.

This current research attempts to define what management accounting topics are being taught in today's education, using the comparison of textbooks used today and textbooks used in the past. This current study uses a textbook used in education today and compared to topics taught in past textbooks as discussed by Böer (2000).

Bracken and Urbancic (1999) analysed the ethical content of introductory accounting textbooks and found that the Hansen and Mowen (1994) textbook had a comparatively high proportion of ethics content compared to other management accounting textbooks. The Hansen and Mowen (1994) textbook is also one of the exceptional textbooks that include international content (Bracken & Urbanic, 1997). The chosen textbook for this current study is a commonly used classroom textbook Hansen Mowen (2006) Cost Management: Accounting and Control (5th ed.). The textbook is in current usage and textbooks by the same authors have been used in similar studies of current tertiary teaching.

The use of textbooks as an analysis of topics taught by educators has limitations that includes time lag to publication and inclusion of the topic does not mean that the topic is taught in the classroom. But topic coverage in the textbook does mean

that the authors regard the topic as important, and that repeated editions of many years indicates that educators value the use of the textbook. Another limitation is the semantic understanding of topic classifications and categorisations used. The latest edition of textbook will be used and topics will be stated in general, inclusive terms to reduce content analysis issues.

The Hansen and Mowen text, as a whole, is aimed at a lower level of student than the Kaplan textbook, making a comparison subjective. The different level of readership may have an effect on the choice of topics in the textbook. Differences in geographic publication and intended use also limit the comparative analysis.

This current study discusses past management accounting textbooks. Then, there will be a comparison between that summary and a recent edition of the Hansen and Mowen (2006) textbook used in tertiary institutions. Similarities and differences found in the comparison will be discussed in relation to factors affecting management accounting and trends that have occurred over the past few decades.

History of Management Accounting Textbooks

The closest approximation to management accounting in the 1940s business curriculum was cost accounting. Our library happens to have saved the edition of Neuner's *Cost Accounting* which I studied in college in 1937. Its terminology is not much different from that used today, but the emphasis is definitely different (Anthony, 1989).

This quote from Robert Anthony (1989) appears to be an accurate representation of recent textbooks. Much terminology used today was also used in this 1937 textbook, such as variance, break-even, by-product costs and job costs. Though, textbooks have begun to use more reference to real companies in discussing their ideas (Boer, 2000).

As reported in Horngren (1989), in the late 1940s, inventory valuation was represented by 73 percent of the accounting material, whilst by the 1960s, this dropped to 46 percent. On the other hand, management decision making content rose from 6 percent to 33 percent in the same timeframe. This is reflected by the changing need of management accounting represented by the change in industry.

Popular Management Accounting Textbooks

Techniques stated in the table of contents for the first (Kaplan, 1982) and third (Kaplan & Atkinson, 1998) editions of Advanced Management Accounting are stated in Table 1, along with two other textbooks popular in management accounting education; Cost Accounting (Horngren, Foster, & Datar, 1994) and Managerial Accounting (Garrison, & Noreen, 2003).

Table 1. Techniques Included in Popular Accounting Textbooks.

Advanced Management Accounting (1 st Ed.)	Advanced Management Accounting (3 rd Ed.)	Cost Accounting (8 th Ed.)	Managerial Accounting (10 th Ed.)
Cost behaviour & regression	Cost behaviour	Cost-volume-profit	Job order costing
Cost-volume-profit	Budgeting	Costing systems & service sectors	Process costing
Cost analysis & pricing	Cost allocation	Costing systems & manufacturing sectors	Cost behaviour
Variances	ABC	Budgets & responsibility accounting	Cost-volume-profit
Cost allocation	ABM	Budgets & variances	Variable costing
Decentralisation	Cost based decision making	Inventory costing methods	ABC
Profit centres	Decentralisation	Cost behaviour	Profit planning
Investment centres	Balanced Scorecard	Performance measurement & compensation	Standard costs and the Balanced Scorecard
Executive contracts	Performance measurement	Pricing, Profitability, & cost	Budgets & overhead analysis
Budgeting incentives &	Financial measures & Customer employee performance Investing	Management control systems & Cost allocation & process costing	Decentralisation & segment reporting
	Incentives	Operation & backflush costing	Relevant costs
	Budgeting incentives &	Capital budgeting & quality & time	Capital budgeting
		Product mix & yield	Service department costing
		Inventory management	Statement of cash flows
		Decentralisation Decision Process	Financial statement analysis

The lists stated above provide an illustration of the consistencies and inconsistencies in education textbooks. The common techniques in the textbooks

include; operational budgeting and capital budgeting, cost-volume-profit, performance measurement, and decentralisation. The inconsistencies are the new techniques that appear in some of the textbooks such as ABC, and the balanced scorecard. Other inconsistencies are quality, statements, inventory management, and the types of costing systems.

Particular points to note are the inclusion of activity-based costing and activity-based management as the largest contributor by volume to the new topics, indicated by the number of text pages covered. Other topics of substance introduced by Horngren between 1982 and 2000 include Backflush costing/JIT, customer profitability analysis, non-financial performance measures, quality and time costs and strategic profitability analysis.

Kaplan & Atkinson (1982, 1989, & 1998)

The third edition of Kaplan (1998) has only three topics attributed to “traditional topics”, rather than the five outlined in the previous two editions. This could be due to a lesser focus and therefore Böer either placing less emphasis or amalgamating the topics. On further investigation of the chapter outline in the later Kaplan (1998) edition, Cost-Volume-Profit Analysis is relegated to being included with Cost Behaviour, and constitutes only three pages. Hansen and Mowen (2006) on the other hand, also have this topic but have included it as part of their section on Decision Making.

It is interesting to note that Böer classified “New techniques for manufacturing operations” in the second edition (1989), as a separate topic. This does not appear in the analysis of the third edition, but it is logical that perhaps information included in this topic has now been separated out into individual topics, such as Activity-Based Costing.

The first edition of *Advanced Management Accounting* was published in 1982, the second in 1989 and the third in 1998. It follows that a textbook dated 2006 would therefore be a relevant time.

Hansen and Mowen (2006)

Upon scanning of the topics in the textbook, Hansen & Mowen (2006), it would appear that management accounting is a vast topic that incorporates many topics including ethics in the form of ethical conduct, marketing in terms of product life cycle, finance in the form of return on investment, and human resources in terms of employee performance. All this financial and non-financial information is brought together and included with cost accounting information to provide managers with the means necessary to plan, control, continually improve and make decisions.

Significant topics in the textbook, in order of presentation (number of pages stated in brackets): Job order costing (49), process costing (48), budgeting (34), standard

costing (44), strategic cost management (58), ABC (53), ABM (40), balanced scorecard (30), environmental costs (40), cost volume profit (50).

The Hansen and Mowen (2006) text has also changed from its previous edition, printed in 2003. In the preface, Hansen and Mowen (2006), note that the new edition has been streamlined, including the move to incorporate international cost management into relevant chapters, rather than as a separate topic. This would reflect the international facets of management accounting becoming more and more relevant to any decision making process.

Although Hansen and Mowen (2006) has a separate section dedicated to decision making, it would appear that Hansen and Mowen (2006) has acknowledged the change in focus of management accounting to a more decision making and strategic focus by incorporating more of this focus into each individual chapter rather than as a separate section.

Hansen and Mowen (2006) have moved away from the title of cost accounting, to cost management. This would indicate a realisation that the subject is moving away from traditional cost accounting approach to a new phase incorporating a more strategic, management-focused accounting, which incorporates cost accounting.

Similarities and Differences

Hansen and Mowen (2006) appears to have a similar outlay to the third edition of *Advanced Management Accounting* in terms of topics, with perhaps more emphasis placed on strategic cost management, as an entire chapter is dedicated to this topic, but no specific mention of it in the Böer study.

Environmental costs are also assigned an entire chapter in Hansen and Mowen, but again are not mentioned specifically in the Böer study.

All four textbooks include decentralization as a topic, suggesting that the practise of delegating decision making to lower levels is an integral part of management accounting and all texts incorporate at least some form of investing which seems logical in that information for managers relating to investment would be an essential ingredient for decision making.

The three *Advanced Management Accounting* textbooks all contain formal models for budgeting and incentive contracts and provide similar emphasis to the budgeting topic covered by Hansen and Mowen (2006), including a focus on the behavioural aspects of budgeting.

Only the two more recent textbooks, Kaplan (1998) and Hansen and Mowen (2006) include activity based costing, activity based management, balanced scorecard, and financial measures such as return on investment and economic value added. The later editions also have a greater focus on customer, process,

and employee performance.

The new topics introduced as shown in the study undertaken by Maher (2000) are consistent with the development of the *Advanced Management Accounting* texts in the study by Böer (2000) and also in reference to the topics covered by Hansen and Mowen (2006). For example, all of these textbooks introduce activity based costing and activity based management in the latter part of the twentieth century.

Conclusion

Management accounting as a subject has proven difficult to define. There are several different views on what the definition should reflect, and what the subject itself incorporates. In using the Hansen and Mowen (2006) as an example, we are able to define management accounting as a multitude of different components of information brought together in a relevant manner in which to provide managers with the means of planning, controlling, continually improving and decision making.

As discussed by a number of academic writers, textbooks have indeed changed their focus over the past few decades. Traditional topics such as budgeting remain an integral part of management accounting, but have incorporated other facets of the business including behavioural and environmental issues, moving towards a more strategic function.

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